

Message Text

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ORIGIN EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 NEA-14 TRSE-00 AID-20

COME-00 L-03 NSC-07 CIAE-00 INR-10 NSAE-00 PA-04

RSC-01 USIA-15 PRS-01 SP-03 STR-08 CIEP-02 OMB-01

SS-20 AGR-20 INT-08 TAR-02 FEA-02 CEA-02 /191 R

DRAFTED BY EB/ORF/FSE:LBUTCHER;NEA/RA:HMONTGOMERY;

APPROVED BY EB/ORF/FSE:SBOSWORTH

NEA/RA:SSCHIFF

EUR/RPE:JTARRANT

EB/ITP/TA:WBARRACLOUGH

EB/ITP/GCP:DMORRISON

TREAS:LDASH

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R 121316Z JUN 74

FM SECSTATE WASHDC

TO AMEMBASSY BONN

INFO AMEMBASSY TOKYO

USMISSION OECD PARIS

USMISSION EC BRUSSELS

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E.O. 11652:N/A

TAGS:ENRG

SUBJECT:ECG: WORKING PAPER ON PROSPECTS FOR ACCELERATED
INDUSTRIALIZATION AND DEVELOPMENT OF OPEC COUNTRIES

REF: (A) BONN 8513; (B) STATE 105720

1. PLEASE RELAY TO FRG FOLLOWING COMMENTS ON PRELIMINARY
GERMAN CONCLUSIONS (REF A) TO DRAFT ECG PAPER ON PROSPECTS
FOR ACCELERATED DEVELOPMENT. YOU SHOULD STATE THAT WE
APPRECIATE OPPORTUNITY TO COMMENT ON GERMAN DRAFT CONCLU-
SIONS TRANSMITTED REF A. IN THIS REGARD, WE BELIEVE THAT
SOME OF MORE SIGNIFICANT POINTS WHICH WE HOPED TO SEE

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INCORPORATED IN TEXT OF PAPER (REF B) CAN STILL BE MADE IN

CONCLUSIONS.

2. WE BELIEVE THAT PAPER COULD BE STRENGTHENED BY MODIFYING SECTIONS REFERRING TO BILATERAL TRADE ARRANGEMENTS AND TO MULTILATERAL TRADE NEGOTIATIONS. WITH REFERENCE TO SECTIONS 10(F) AND 11(C) ON BILATERAL ARRANGEMENTS, WE DO NOT BELIEVE THAT BILATERAL ACTIONS WILL NECESSARILY JEOPARDIZE MULTILATERAL COOPERATION. THE NEED TO ESTABLISH ADEQUATE CONSULTATIVE PROCEDURES AND TO AVOID DISCRIMINATORY TREATMENT IN ANY SUCH ARRANGEMENTS SHOULD BE EMPHASIZED. WE WOULD THEREFORE SUGGEST FOLLOWING LANGUAGE AS SUBSTITUTE FOR SECTION 10(F): "INAPPROPRIATE BILATERAL ACTIONS BY INDIVIDUAL CONSUMER AND PRODUCER COUNTRIES COULD MAKE MULTILATERAL COOPERATION DIFFICULT AS WELL AS HAVING

UNDESIRABLE EFFECTS ON WORLD TRADE AND DEVELOPMENT. IN ORDER TO AVOID SUCH DEVELOPMENTS, CARE SHOULD BE TAKEN TO COORDINATE BILATERAL EFFORTS, E.G., BY ESTABLISHMENT OF CONSULTATION PROCEDURES AS DISCUSSED ABOVE." FOR SECTION 11(C) WE SUGGEST SUBSTITUTING FOLLOWING SENTENCE FOR SENTENCES 2 AND 3 IN GERMAN DRAFT: "SUCH ARRANGEMENTS SHOULD, THEREFORE, BE CONSISTENT WITH THE MFN PRINCIPLE THAT THEY DO NOT LEAD TO DISCRIMINATORY TREATMENT." (FYI--WE BELIEVE THAT REFERENCE TO A "MULTILATERAL AGREEMENT" GOVERNING BILATERAL ARRANGEMENTS IS UNNECESSARY AT THIS TIME. ON-GOING CONSULTATIVE PROCEDURES WILL ALLOW MONITORING OF THESE ARRANGEMENTS WITH SCOPE FOR A LATER "CODE OF CONDUCT" IF THIS SHOULD BECOME DESIRABLE. END FYI).

3. WE AGREE IN PRINCIPLE ON DESIRABILITY FOR MULTILATERAL COLLABORATION AMONG CONSUMER COUNTRIES DESCRIBED IN SECTION 10(E). WE WOULD PREFER TO DELAY ANY SPECIFIC RECOMMENDATION ON FORUM UNTIL ECG HAS ADDRESSED NEED FOR FOLLOW-ON MECHANISMS FOR OVER-ALL ENERGY COORDINATING EFFORT. WE WOULD ALSO PREFER SUBSTITUTION OF WORD "COULD" FOR "SHOULD" IN LAST SENTENCE OF 10(E).

4. WITH REGARD TO MULTILATERAL TRADE NEGOTIATIONS, WE SUGGEST ADDITION OF FOLLOWING SENTENCE TO THE END OF SECTION 10(F):

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SECTION 11(A): "CONSIDERATION SHOULD BE GIVEN TO THE POSSIBILITY OF EXCHANGES IN THE MULTILATERAL TRADE NEGOTIATIONS (MTN) OF SPECIFIC MFN SUPPLY ACCESS COMMITMENTS IN RETURN FOR ACCESS TO MARKETS FOR RAW MATERIALS AND RELATED PROCESSED PRODUCTS." LAST PHRASE OF FIRST SENTENCE IN 11(A) MIGHT BE MODIFIED TO READ "BE NEGOTIATED, TO THE EXTENT POSSIBLE, IN THAT FORUM," SINCE THESE ISSUES ARE ALREADY ON THE AGENDA FOR THE MTN.

5. WITH REGARD TO SECTION 11(B), WE SUGGEST FOLLOWING BE SUBSTITUTED FOR SECOND SENTENCE IN GERMAN DRAFT: "POSSIBILITIES INCLUDE, E.G., MFN REDUCTION OF TARIFFS AND OTHER TRADE RESTRICTIONS OF PARTICULAR INTEREST TO THE LDC'S IN THE MTN AND EXPANSION OF TARIFF PREFERENCES."

6. WE WOULD ALSO FAVOR DELETION OF SECTIONS 11(E) AND 11(F). NEITHER OF THESE SECTIONS WOULD APPEAR NECESSARY IN A FRAME OF REFERENCE FOR CONSUMERS WHILE THEY MIGHT UNNECESSARILY RAISE THE SUSPICIONS OF OPEC COUNTRIES AS TO THE REAL INTENTIONS OF CONSUMERS. WE BELIEVE THAT OPEC COUNTRIES REALIZE THAT THERE ARE SOME PRACTICAL LIMITATIONS ON REINVESTMENT OF OIL REVENUES AND AVAILABILITY OF GOODS AND EXPERTS FROM INDUSTRIALIZED COUNTRIES. THE ECG'S ESPOUSAL OF A GENERAL PROGRAM FOR AIDING INDUSTRIAL-

IZATION IN OPEC COUNTRIES SHOULD NOT, THEREFORE, CREATE UNREALISTIC EXPECTATIONS ON THEIR PART. WE WOULD THEREFORE PREFER TO SEE POINTS IN 11(E) AND 11(F) DELETED OR MINIMIZED TO EXTENT POSSIBLE SO AS NOT TO REINFORCE VIEWS IN SOME OPEC QUARTERS CALLING FOR LIMITING PRODUCTION NOW IN ORDER TO MAXIMIZE FUTURE GAINS. SISCO

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